

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-864

Project Name Springhill Gardens Apartments
Address: 200, 244 Dorsey Drive
Grass Valley, CA 95945 County: Nevada

Applicant Information

Applicant: Springhill Gardens Associates, L.P.
Contact Danny Fred, Caleb Roope
Address: 430 East State Street, Suite 100
Eagle, ID 83616
Phone: (415) 898-1750 Fax: (415) 898-0789
(208) 461-0022 (208) 461-3267

Sponsors Type: Joint Venture

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 2008
Credit Enhancement: None

Eligible Basis

Actual: \$13,708,076
Requested: \$13,708,076
Maximum Permitted: \$34,310,332

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 32%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$562,137	\$0
Recommended:	\$562,137	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt, RHS 515
HCD MHP Funding: No
Total # of Units: 121
Total # Residential Buildings: 31

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 119 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 38
Number of Units @ or below 60% of area median income: 81

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Springhill Gardens I & II:</u>		
10 One-Bedroom	50%	\$610
5 One-Bedroom	50%	\$610
22 One-Bedroom	53%	\$648
10 One-Bedroom	54%	\$662
12 Two-Bedroom	50%	\$732
6 Two-Bedroom	50%	\$732
27 Two-Bedroom	51%	\$760
13 Two-Bedroom	51%	\$760
5 Three-Bedroom	50%	\$846
9 Three-Bedroom	50%	\$850
2 Two-Bedroom	Manager's Units	\$0

The general partner(s) or principal owner(s) are Central Valley Coalition for Affordable Housing, Roope, LLC, and DFA Development LLC.

The project developers are Central Valley Coalition for Affordable Housing, Roope, LLC, and DFA Development LLC.

The management services will be provided by Valley Fair Realty Corporation.

The market analysis was provided by Laurin Associates.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing

Estimated Total Project Cost: \$14,952,436 Per Unit Cost: \$123,574 Construction Cost Per Sq. Foot: \$43

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank - Tax Exempt Bonds	\$8,000,000	US Bank - Tax Exempt Bonds	\$7,100,000
USDA Rural Development 515 loan	\$1,436,000	USDA Rural Development 515 loan	\$1,436,000
US Bank	\$1,250,000	City of Grass Valley - CDBF	\$1,200,000
City of Grass Valley - CDBG	\$1,200,000	Deferred Developer Fee	\$601,753
Investor Equity	\$1,400,000	Investor Equity	\$4,614,683
		TOTAL	\$14,952,436

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$6,356,126
Requested Acquisition Eligible Basis:	\$7,351,950
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$8,262,964
Qualified Acquisition Basis:	\$7,351,950
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$297,467
Maximum Annual Federal Acquisition Credit:	\$264,670
Total Maximum Annual Federal Credit:	\$562,137
Approved Developer Fee:	\$1,788,010
Tax Credit Factor: PNC Multifamily Capital	\$0.8209

Applicant requests and staff recommends annual federal credits of \$562,137, based on a qualified rehabilitation basis of \$8,262,964, a qualified acquisition basis of \$7,351,950, and a funding shortfall of \$4,614,683.

Cost Analysis and Line Item Review

The requested eligible basis \$13,708,076 is below TCAC's adjusted threshold basis limit \$34,310,332. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$562,137	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: The applicant/owner is required to provide the tenants with **educational classes** for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Gina Ferguson